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BUSINESS

Don't sell out, Metro told

But grocery-store chain denies merchant-owners' fears of sale to outsider

SARAH DOUGHERTY
The Gazette

An association of merchant-owners of **Metro Inc.** issued a call to action yesterday, claiming company management has the grocery-store chain on the selling block to interests outside Quebec.

The 200 merchant-owners, citing persistent rumours that the company is for sale, are threatening to raise funds to buy the company themselves. (Metro also has 50 non-merchant-owned stores.)

"There is no smoke without fire," said Jean Fournier, a spokesman for the group, though he could not say exactly who Metro was courting.

Fournier and other merchants fear Metro, the third-largest chain in Quebec, will go the way of **Provigo** and **IGA**, which were sold to non-Quebec interests two years ago.

Provigo was bought by **Loblaw Cos. Ltd.** of Toronto. **Sobeys Inc.** of Nova Scotia picked up IGA.

Fournier said a sale to non-Quebec interests would make it difficult for his members to negotiate on equal footing and that they'd be forced to deal with an anglophone milieu.

But Metro external directors deny the merchants' claims. "We are not for sale," said Bernard Roy, spokesman for the eight external directors on Metro's board. Merchant-owners hold the other seven seats on the board.

"We have not given anyone a mandate to search the market for buyers," Roy said. "In fact, we are in acquisition mode."

Roy said the company holds 36 per cent of the Quebec retail-grocer market and is seeking out either strategic alliances or acquisitions in order to grow.

Roy pointed to Metro's acquisition of about 50 **Steinberg** stores and 40 **Loeb** stores in Ontario from Provigo last year as examples of how the company has sought expansion opportunities.

Continuing to grow, especially outside Quebec, is crucial given the stagnant retail-food market in the province and the need to keep pace with the purchasing power of Loblaws and Sobeys, Roy said.

Metro president Pierre Lessard outlined the company's strategic plans for merchants last summer, Roy said. "Despite that, they continue to think there is a hidden agenda."

Fournier said Metro management is laying the groundwork for a sale by manoeuvring to reduce to five from seven the number of board seats held by merchants.

Fournier said an external director revealed to him that a resolution to that effect will be introduced at a Nov. 21 board meeting.

Roy acknowledged that reducing the number of merchant-owners on the board has been discussed. But the motivation for the move is to give more appropriate representation to other shareholders of the company, Roy said.

Regulatory authorities have recommended that the board's composition reflect share ownership, according to Roy. "There is no scheme or conspiracy," he said.

Merchant-owners have 7 per cent of Metro's stock – but 30 per cent of the votes by virtue of their ownership of Class B shares, Roy said. In a press release yesterday, they claimed that they have already approached lending institutions to raise the money necessary to take control of the company.

In response, Roy tossed out a challenge. "Let them make a public offer to the shareholders."

Jitec CEO hearing put off

DON MACDONALD
The Gazette

The Quebec Securities Commission has agreed to postpone for two weeks a hearing in which Benoit Laliberté, chief executive officer of **Jitec Inc.**, will contest an order barring him from trading in company stock.

The hearing, originally scheduled for today, has been postponed until Dec. 1 at the request of Laliberté's lawyers, QSC spokesman Denis Dubé said.

"They've asked for the delay so that they can examine various documents," Dubé said.

The trading ban will remain in force in the meantime, he added.

In a decision announced last Friday, the QSC placed the trading ban on Laliberté in the interests of the proper market functioning and to protect investors from "unfair, abusive and fraudulent practices."

The QSC alleged that Laliberté had traded hundreds of thousands of Jitec shares through at least seven brokerage accounts opened both in his name and by a numbered company whose sole director is a close friend. An official said the commission's staff had concluded the purpose of Laliberté trading was to increase the price of Jitec shares.

The QSC also said Laliberté had transferred over 8 million Jitec shares to 35 individual or companies. Laliberté failed to report all his Jitec trades and share transfers as he is required to do as a company insider, the commission said.

The 28-year-old founder of the Nuns' Island computer-network company has temporarily stepped down from his executive position and seat on the board.

The share price of Jitec has plummeted from a high of $11.65 in early August to yesterday's close of $1.05.

Laliberté is being represented by lawyer William Atkinson of the firm McCarthy Tetrault, Dubé said.

Westmount prices in N.D.G.

Tight supply pushes up costs, spurs building boom despite lack of space

All you N.D.G. homeowners must feel like you're sitting on the Hope Diamond. Prices in the once-quiet west-end neighbourhood continue to go through the roof. Agents continue to buzz over two houses on Old Orchard Ave. that recently sold for an eye-popping $360,000 and $390,000, respectively. Folks, those used to be Westmount prices.

Tight supply on the resale side is pushing prices sky high and has helped spur a building boom. Last year, N.D.G. recorded the third-highest number of housing starts in Montreal, behind Rivière des Prairies and the combined Hochelaga-Maisonneuve/Centre-Sud neighbourhood. The 223 new homes built in N.D.G last year represented a 243-per-cent increase over 1998, when 65 units were built.

MARY LAMEY
REAL ESTATE

GORDON BECK, GAZETTE

Development by Groupe D3 at Somerled and Bessborough Aves. in N.D.G. houses condominiums.

It's quite one thing to build a lot of new homes in R.D.P., where vacant lots are plentiful. It's quite another to do it in a mature neighbourhood, where there simply isn't any undeveloped land. If you want to build in N.D.G, you have to be willing to think outside the box. Enter David Owen.

Owen's company, **Groupe D3**, built 60 condominium units in N.D.G last year, or about one-quarter of the area's total. Over the last three years, he's snapped up sites that might not have seemed ideal for residential-building purposes – an empty **Kentucky Fried Chicken** outlet and a defunct **Royal Bank** branch on Monkland Ave., as well as a shuttered gas station on Somerled Ave., to name three. He turned those sites around.

"If you want to build in N.D.G., you have to be willing to work a little harder," Owen said. "You won't find land. You have to be willing to redevelop existing properties. The flip side is that once you build, the units will sell."

He estimates that fully half his time is spent looking for building sites.

He began buying commercial properties around the district three years ago, before the real-estate boom took off. Owen insists he was lucky, rather than smart, to get in on the hot market's ground floor.

Maintaining that winning streak will be hard, he acknowledged. Land is in short supply, prices are going up and area residents don't necessarily welcome new development.

He points to his struggle to redevelop the KFC outlet. Some residents moved to block Owens's four-storey condo project, saying it would block sunlight to their back yards and disrupt the tranquility of the neighbourhood. Some lobbied for construction of a park.

Mostly, residents were opposed to the unknown. In the end, the project went ahead, after lengthy delays. He's got two more redevelopment projects on the back burner and is now tinkering with design changes aimed at assuaging the neighbours.

N.D.G., with its trendy strip of restaurants and shops on Monkland, has become a magnet for young professionals. It's a clientele that has no problem spending $120,000 to $300,000 for a one- or two-bedroom condo, Owen said.

And once they buy, they aren't necessarily holding on to them. A half-dozen of Owens's condos, delivered in 1998 and 1999, are already up for resale, at substantial mark-ups.

So who's going to pay $213,000 for a condo that sold for $131,000 new, you ask? Somebody already has at a D3 project on Monkland.

"When someone's willing to pay $70,000 or $80,000 more for a condo, that tells me I severely underpriced my units," Owen said, sounding only a little bit chagrined.

Either that, or the real-estate market has gone crazy. Time will tell which.

Sintra won't issue dividends this year

JAN RAVENSBERGEN
The Gazette

Sintra Ltd. of Montreal, the subject of a continuing Quebec Securities Commission investigation into alleged false statements to regulators by controlling shareholder **Colas SA** of France, announced it would eliminate its usual annual dividend.

The road-building firm had issued a yearly shareholder payout of $10 a share since 1995. But in a press release this week, it said "it would not be opportune" to continue the practice this year, "taking into account the acquisitions during the fiscal year of **Everall Construction Ltd.** and **Inland Highway Maintenance Ltd.**"

Quebec regulators have been looking into complaints – first raised more than four years ago by Sintra shareholder Jim McVety – that Colas consistently failed to file insider-trading reports with the Quebec Securities Commission over its Sintra stake, and that Sintra itself made a series of false filings with the commission.

Colas holds 90.2 per cent of Sintra.

McVety's persistence last spring resulted in a commission decision to kill an attempted force-out by Colas of Sintra's minority shareholders.

"The investigation continues, but we have no further comments to make at this time," Denis Dubé, a commission official, said yesterday.

The decision to drop the dividend "does not seem designed to warm the hearts of minority shareholders – not that I have ever noticed that to be one of Sintra's obvious goals," McVety commented.

After the regulators stopped the first force-out attempt, Colas said it hoped to make a renewed bid to take Sintra private.

Réal Labarre, Sintra's vice-president (administration and finance), could not be reached for comment.

BRE-X GOLD SCAM

Bresea settles suit for $10 million

STEVE ERWIN
Canadian Press

TORONTO – **Bresea Resources Ltd.** has settled a class-action suit launched in 1996 after an Indonesian gold strike was revealed to be a fraud by its sister company, **Bre-X Minerals Ltd.**

The agreement, announced yesterday, will see Calgary-based Bresea pay about $10 million to Bre-X bankruptcy trustee **Deloitte & Touche**, part of an over-all effort to see victims of the notorious gold fraud recover some of their losses.

"This is an important day in the continuing pursuit of those who allegedly perpetrated fraud against people who invested in Bre-X," Harvey Strosberg, lawyer for the Ontario-based class action, said in a statement.

"As we have said before, the strongest case has always been against the Bre-X insiders who caused so many investors to lose substantial sums."

The settlement announced yesterday, which requires approval by courts in Alberta, Ontario and Texas as well as by Bresea shareholders, would finally sever remaining links between the company and Bre-X and would allow Bresea to apply to the Ontario Securities Commission to resume stock-market trading of its shares.

Bresea has been in limbo since 1996, after Bre-X's Indonesian gold deposit was revealed to be a fraud.

Felderhof: no show at trial.

Under yesterday's settlement, Bresea will transfer the 49 million shares it still has in Bre-X to Deloitte & Touche, while the 8 million shares in Bresea held by the Bre-X bankruptcy trustee will be returned to the company.

Last year, Bresea had an estimated net value of about $30 million, which included about $26 million in cash and a Calgary building worth about $3 million.

In February, it was reported that former Bre-X chief executive David Walsh donated $18.7 million worth of shares in Bresea to a private foundation set up by Walsh and his sons, Sean and Brett. The Walsh Foundation would have yielded about $9.3 million in tax credits to Bre-X, according to reports published this year.

The Walsh Foundation lost its charitable status in February after the Canada Customs and Revenue Agency found the foundation hadn't filed a financial report since July 1997.

David Walsh died in June 1998, about a year after Bre-X's fraudulent Busang gold deposit was unmasked. Shares in both Bre-X and Bresea eventually became penny stocks. The Bre-X fiasco cost investors more than $6 billion in lost stock-market value.

Strosberg said the settlement provides further resources to allow the class action to proceed aggressively against insiders alleged to be linked to the Bre-X fraud.

The settlement was reached with the help of U.S. representatives.

"This kind of co-ordination ensures that the Bre-X insiders cannot try to use the courts and counsel of one country to play off against their colleagues in the other," said Paul Yetter, class counsel in the U.S. class action. "We are all determined to get justice for the victims of this fraud, no matter where they lived."

Bresea will receive 5 per cent – to a maximum of $2.5 million – if more money is recovered in continuing class actions in Canada or the U.S., according to the settlement.

Yesterday's announcement came just as opening arguments continued in a Toronto court case against former Bre-X geologist John Felderhof, who has been charged with eight securities violations.

It's alleged he sold $94 million worth of Bre-X stock in 1996 while having information about the company that had not been publicly disclosed.

Felderhof is believed to be living at his estate on the Caymen Islands, which doesn't have an extradition treaty with Canada. He has not attended the proceedings, expected to last into the next year.

Exco buys Techmire

Exco Technologies Ltd. of Toronto said it has agreed to swallow **Techmire Ltd.** of Montreal for $5.85 a share cash, or a total of $11.6 million.

Yaffe Industrial Group Inc., Eli Yaffe and Stephen Yaffe, who collectively hold 31 per cent of Techmire, have signed an irrevocable agreement to accept the deal.

Techmire shares jumped 38 per cent over three recent trading sessions. On Tuesday, Techmire was forced to reveal it was in talks with an undisclosed firm that it said could culminate in a sell-out.

National Bank Financial Inc. has said Exco's proposed offer would be fair, from a financial point of view, to Techmire's shareholders other than the Yaffe group.

Exco is a global supplier of casting and extrusion technology, primarily for automotive and other industrial markets. Techmire is a manufacturer of sophisticated die-casting machines.

GAZETTE

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